DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

Weisman

FORM APPROVED
OMB NO. 0938-0193

# TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

| 1. TRANSMITTAL NUMBER: | 2. STATE |
|---|---|
| **02-005** | **Alaska** |

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2002

5. TYPE OF PLAN MATERIAL *(Check One)*: JUN - 4

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 U.S.C 1396b / 42 CFR 447.272

7. FEDERAL BUDGET IMPACT:
a. FFY 2002 $ 0.00
b. FFY 2003 $ 0.00

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Pages ~~24-25~~ 25-27 (P+I)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A, Page 24

10. SUBJECT OF AMENDMENT:
This amendment changes the payment classifications for proportionate share payments to hospitals from the current single aggregate category to three separate categories. This change ensures compliance with 42 CFR 447.272 as published in the Federal Register of January 12, ~~2002~~ 2001 (P+I)

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Does not wish to comment.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Bob Labbe

14. TITLE:
Director, Division of Medical Assistance

15. DATE SUBMITTED:
May 31, 2002

16. RETURN TO:
Division of Medical Assistance
P.O. Box 110660
Juneau, Alaska 99811-0660

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: JUN - 4 2002

18. DATE APPROVED: OCT 15 2002

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL - 1 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Bunnie Butterfield

22. TITLE:
ARA

23. REMARKS:
P+I changes approved by the State on 10/8/02.

FORM HCFA-179 (07-92)

XV. Private Hospital Proportionate Share Incentive Payments

1. The department recognizes that many private hospitals provide basic support for community and regional health care to clients who would otherwise be unable to readily access needed inpatient hospital service. To ensure continued access, the department will make a Private Hospital Proportionate Share (PHPS) incentive payment to, and may require specific services to be performed by, a hospital that qualifies. At least annually, the department will advise all such hospitals to formally request participation in the Private Hospital Pro-Share payment program.

2. Private Hospital Proportionate Share payments are subject to requirements, including upper payment limits to private hospitals, and other requirements identified in the State Plan. The state intends to make Private Hospital Proportionate Share payments to facilities that satisfy such requirements to ensure continued access to inpatient hospital services and respective service to low-income persons with special needs.

3. A qualified private hospital is one that:
   a) is enrolled as a Medicaid provider of inpatient hospital services;
   b) is located within the State of Alaska;
   c) is a privately owned and operated facility;
   d) submits an application to the department; and
   e) enters into a written PHPS agreement with the department to provide additional services under Section XV-6 of this attachment.

4. PHPS payments shall be paid annually on or before September 30th during each federal fiscal year. The state may make one additional payment per year, if needed to reconcile the federal fiscal year with state fiscal year expend ures. State fiscal year payments require money from two Federal fiscal years. The second payment may be held until the next Federal fiscal year monies are available.

   The state determines a reasonable estimate of what Medicare would have paid to privately owned hospitals by calculating the Medicare upper payment limit (UPL). The Medicare UPL is the result of inflating the TEFRA inpatient rate forward from the 1982 (check to make sure that this is true) base year, using allowable adjustments as set out in public law, the Federal register, notices from the Centers for Medicare and Medicaid Services, hearing decisions, or similar authoritative notices. For hospitals built after 1982, the first full year of operation is the hospital's base year.

   The TEFRA inpatient rate is expressed as a discharge rate and Medicaid estimated payments are based on per diem rates. Medicaid inpatient days are divided by the average length of stay to obtain the Medicaid discharge rate. Medicaid discharges are then multiplied by the inflated TEFRA inpatient rate, resulting in the Medicare UPL. Inpatient rates and discharges are based on the most recent Medicare cost reports.

Total estimated Medicaid payments for the current year are obtained by multiplying the current facility Medicaid inpatient rate by the number of Medicaid inpatient days reported on the most recent Medicare cost report. This total is then subtracted from the UPL to determine the difference, if any, between the UPL and the estimated Medicaid payments. The most recent complete Medicare cost report data are adjusted to take into consideration any facility fiscal year offset with the state fiscal year, amended information submitted by the facility, and capital costs.

The private hospital facility-specific differences between UPL and estimated Medicaid payments are added together to calculate the statewide total for additional payments to all privately owned hospitals for inpatient services. This aggregate difference represents the total available in the PHPS program. An adjustment is made to the statewide total UPL to account for the effect of Medicare disproportionate share payments and Medicare graduate medical education payments.

5. Distribution of Private Hospital Proportionate Share payments among qualifying private hospitals will occur within each classification listed in section 6, and is based on the number of prospective encounters the hospital agrees to perform under its PHPS agreement with the Department, as a percentage of all encounters to be performed by all qualifying hospitals within the classification.

6. The department will allocate the PHPS funding it determines is available to the classifications of PHPS listed below:
   a) Single-Point-Of-Entry Psychiatric (SPEP PHPS);
   b) Designated Evaluation And Treatment (DET PHPS);
   c) Children's Medical Care (CMC PHPS);
   d) Institutional Community Health Care (ICHC PHPS);
   e) Rural Hospital Assistance (RHA PHPS);
   f) Rural Health Clinic Assistance (RHCA PHPS);
   g) Mental Health Clinic Assistance (MHCA PHPS); and
   h) Substance Abuse Treatment Provider (SATP PHPS).

7. Qualifying hospitals receive proportionate share payments under one or more of the classifications listed in section 6, if that hospital meets criteria applicable to that classification by entering into a written agreement with the Department.

XVI. State Hospital Proportionate Share Incentive Payments

1. The department recognizes that state owned hospitals provide basic support for community and regional health care to clients who would otherwise be unable to readily access needed inpatient hospital service. To ensure continued access, the department will make a State Hospital Proportionate Share (SHPS) incentive payment each year to state owned hospitals in accordance with federal law in 42 CFR 447.272.

2. A qualified state owned hospital is one that:
   a) is enrolled as a Medicaid provider of inpatient hospital services;
   b) is located within the State of Alaska; and
   c) is a state owned or operated facility.

3. SHPS payments shall be paid annually on or before September 30th during each federal fiscal year. The state may make one additional payment per year if needed to reconcile the federal fiscal year with state fiscal year expenditures. State fiscal year payments require money from two Federal fiscal years. The second payment may be held until the next Federal fiscal year monies are available.

   The state determines a reasonable estimate of what Medicare would have paid to state-owned hospitals, by calculating the Medicare upper limit in the following way:

   a) Starting with the 1982 base year, each hospital's total Medicare allowable costs, less capital costs, is inflated forward to the current year using allowable adjustments as set out in public law, the Federal register, notices form the Centers for Medicare and Medicaid Services, hearing decisions, or similar authoritative notices.
   b) The current year inflated amount under a) is divided by the number of inpatient days reported on the most recent Medicaid cost report to estimate the TEFRA limit per patient day for each state owned hospital.
   c) Each hospitals TEFRA limit per patient day is multiplied by the estimated number of Medicaid inpatient days for the current year based on data reported in the facility's most recent Medicaid cost reports to arrive at a TEFRA limit for the facility's current year.
   d) The percentage of capital attributable to Medicaid inpatient days is added to the TEFRA limit calculated in c) to arrive at the total TEFRA limit for the current year.
   e) The total of estimated Medicaid payments for the current year is obtained by multiplying the current facility Medicaid inpatient rate by the number of Medicaid inpatient days reported on the most recent Medicaid cost report.
   f) The estimated Medicaid payments calculated in e) are compared to the UPL calculated under a), b), c), and d) to determine the difference, if any, between the UPL and the estimated Medicaid payments.
   g) The amount available for SHPS distribution is determined by calculating the Medicare TEFRA upper payment limit for all the hospitals in the SHPS group in the base year, less payments that were made to the hospitals. The aggregate difference represents the total available in the SHPS program.

4. Apportionment of available SHPS funds among qualifying hospitals will be made according each hospital's number of Medicaid inpatient days as a percentage of the total Medicaid inpatient days at all state owned hospitals.